

December 17, 2004

Mr. Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
P. O. Drawer 11649
Columbia, SC 29211

RE: Docket No. 2005-1-E

Dear Mr. Terreni:

Please find enclosed an original and 25 copies of Progress Energy Carolinas, Inc.'s ("PEC") Order Continuing Fuel Factor and Altering Hearing Schedule in the above-referenced docket.

Very truly yours,

Len S. Anthony
Deputy General Counsel-Regulatory Affairs

LSA:mhm

Enclosure

220224

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-1-E, ORDER NO. _____

IN RE: Progress Energy Carolinas, Inc.'s)	ORDER CONTINUING FUEL
Annual Review of Fuel Costs)	FACTOR AND ALTERING HEARING
)	SCHEDULE

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of Progress Energy Carolinas, Inc. (Progress Energy or the Company) for approval to continue its current fuel factor through June 30, 2005 and to alter the present hearing schedule for the annual review of the South Carolina electric utilities' fuel costs pursuant to S.C. Code Ann. (1976) Section 58-27-865 (hereinafter "Fuel Statute"). Under the Fuel Statute, the Commission conducts annual hearings and sets an appropriate fuel factor to allow the electric utilities to recover their just, reasonable and prudent fuel costs for the applicable period.

II. DESCRIPTION OF PROPOSAL

Historically, the Commission has conducted PEC's annual fuel cost recovery proceeding in March of each year. Most recently, by Order No. 2004-172, issued in Docket No. 2004-1-E, the Commission established a fuel factor of 1.471 cents per kwh for PEC for the period April 2004 through March 2005. This was the same level as approved in PEC's 2003 fuel proceeding.

Currently, the Commission conducts the fuel cost recovery proceedings for all three South Carolina electric utilities in close proximity to each other in the spring of each year. The

present schedule requires the Commission to make a decision on each utility's fuel factor shortly before the end of the calendar month. This has required the Commission's staff to work expeditiously to put the electric utilities' fuel factor into effect on the first day of the following calendar month. This schedule has caused a hardship on the Commissioners, Commission staff, and the utilities. In recognition of this, the Commission's Staff held consultations in the spring of 2004, with representatives of South Carolina Electric and Gas Company, Progress Energy Carolinas, Inc. and Duke Power.

As a result of these consultations, the Commission's Staff and the three electric utilities agreed on a schedule that would "stagger" the dates of the utilities' annual fuel cost recovery hearings. The agreed upon schedule for PEC's fuel case is to hold the annual fuel hearing scheduled before the Commission on or about the last Wednesday in May 2005, with an effective date for the annual fuel factor of July 1, 2005. To allow an appropriate transition to the new schedule PEC is specifically requesting that: the Commission establish a test period for PEC's 2005 fuel case of January 1, 2004 through March 31, 2005; and thereafter, the test year be April 1 through March 31; continue PEC's current fuel factor of 1.471 cents per kwh through June 30, 2005; set PEC's 2005 fuel case to be heard on or about the last Wednesday of May 2005, with an effective date for the annual fuel factor of July 1, 2005; issue an order, in accordance with the Commission's traditional pre-filing schedule, requiring PEC's testimony and exhibits to be due four weeks prior to the hearing date, Intervenor testimony to be due two weeks prior to the hearing date, and PEC rebuttal testimony one week prior to the hearing date;

III. FINDINGS OF FACT

1. The Commission issued its Order No. 2004-172, in Docket Number 2004-1-E, establishing PEC's fuel factor for the period April 2004 through March, 2005 at 1.471 cents per kWh, the same level as its fuel factor approved in 2003.

2. The Commission finds that its annual schedule of hearing dates for the three incumbent utilities results in all three incumbent electric utilities having their annual fuel hearings scheduled in close proximity to each other in the spring of each year.

3. The Commission finds that the present schedule requires this Commission to make a decision on each incumbent electric utility's fuel factor shortly before the end of the calendar month. Also, we find that this has required the Commission's Staff to work expeditiously to put the electric utilities' fuel factor into effect on the first day of the following calendar month.

4. The Commission finds that the traditional schedule has caused a hardship on the Commissioners, Commission Staff, and the incumbent electric utilities. In recognition of this, the Commission's Staff held consultations in the spring of 2004, with representatives of South Carolina Electric and Gas Company, PEC and Duke Power.

5. The Commission finds that as a result of these consultations, the Commission's Staff and representatives of all three electric utilities agreed on a schedule that would "stagger" the dates of the hearings of this Commission to set the annual fuel factor for each incumbent electric utility. It was agreed that PEC would move the Commission to have its annual fuel hearing scheduled on or about, the last Wednesday in May 2005, with an effective date for the annual fuel factor of July 1, 2005.

6. The Commission finds that the granting of the relief sought by PEC in its Motion will aid in this Commissions orderly rate administration.

7. The Commission finds that PEC should be allowed to continue recovery of its fuel costs with its current fuel factor, 1.471 cents per kWh, through June 30, 2005.

8. The Commission finds that a new test year for PEC's annual fuel proceeding of April through March should be established.

9. The Commission finds that PEC should, due to the transition from the present hearing schedule to the proposed hearing schedule, include in its test year, for PEC's 2005 fuel case, the months of January 1, 2004 through March 31, 2005.

10. The Commission finds that PEC's 2005 fuel case should be scheduled to be heard on or about the last Wednesday in May 2005, with an effective date for the annual fuel factor of July 1, 2005.

11. The Commission finds that this matter was noticed appropriately and a proper hearing was held by noticing and hearing this Matter at its weekly agenda meeting.

CONCLUSIONS OF LAW

Based on the above-stated Findings of Fact, this Commission makes the following Conclusions of Law:

1. This Commission concludes that S.C. Code Ann. Section 58-27-870(F) permits this Commission to grant the relief requested in PEC's Motion.

2. This Commission concludes that the relief sought is consistent with Section 58-27-865, of the South Carolina Code Annotated (1976, as amended).

3. This Commission concludes that the approval of PEC's Motion will not require a determination of PEC's entire rate structure and overall rate of return.

4. The Commission concludes that the approval of PEC's Motion should not result in any rate increase to PEC's customers.

5. The Commission concludes that PEC should be allowed to continue recovery of its fuel costs with its current fuel factor of 1.471 cents per kWh, through June 30, 2005.

6. The Commission concludes that a new test year for PEC's annual fuel proceeding of April through March should be established;

7. The Commission concludes that in order to accomplish the transition to the new schedule, for PEC's 2005 fuel case, PEC should include in its test year the months of January 2004 through March 2005.

8. The Commission concludes that PEC's 2005 fuel case should be scheduled to be heard on or about the last Wednesday in May 2005, with an effective date for the annual fuel factor of July 1, 2005.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. PEC is allowed to continue recovery of its fuel costs with its current fuel factor of 1.471 cents per kWh, through June 30, 2005.

2. PEC is allowed to establish a new test year for its annual fuel proceeding of April through March.

3. PEC is allowed, due to the transition from the present hearing schedule to the proposed hearing schedule, to include in its test year, for its 2005 fuel case, the months of January 2004 through March 2005.

4. PEC's 2005 fuel case will be scheduled to be heard on or about the last Wednesday in May 2005, with an effective date for the annual fuel factor of July 1, 2005.

5. This Order shall become effective upon the signature of the Chairman and shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Randy Mitchell, Chairman

ATTEST:

G. O'Neal Hamilton, Vice Chairman

(SEAL)